

REVENUE DEPARTMENT[701]

Notice of Intended Action

Twenty-five interested persons, a governmental subdivision, an agency or association of 25 or more persons may demand an oral presentation hereon as provided in Iowa Code section 17A.4(1)“b.”

Notice is also given to the public that the Administrative Rules Review Committee may, on its own motion or on written request by any individual or group, review this proposed action under section 17A.8(6) at a regular or special meeting where the public or interested persons may be heard.

Pursuant to the authority of Iowa Code sections 421.14 and 422.68, the Department of Revenue hereby gives Notice of Intended Action to amend Chapter 40, “Determination of Net Income,” Chapter 41, “Determination of Taxable Income,” Chapter 42, “Adjustments to Computed Tax and Tax Credits,” Chapter 45, “Partnerships,” Chapter 52, “Filing Returns, Payment of Tax, Penalty and Interest, and Tax Credits,” Chapter 53, “Determination of Net Income,” and Chapter 59, “Determination of Net Income,” Iowa Administrative Code.

These amendments are proposed as a result of 2013 Iowa Acts, House File 575, and 2013 Iowa Acts, Senate Files 106 and 452.

Item 1 amends subrule 40.2(2) to correct a citation to a United States Supreme Court decision referenced in the subrule.

Item 2 amends rule 701—40.3(422) to update the list of bonds issued by the state of Iowa or its political subdivisions for which the interest income is exempt for both federal and Iowa income tax.

Item 3 amends rule 701—40.60(422) to state that bonus depreciation does not apply for Iowa individual income tax for assets acquired in 2013.

Items 4 and 5 amend rule 701—40.65(422) and the implementation sentence for rule 701—40.65(422) to provide that the increase in the expensing allowance for qualifying property authorized in Section 179(b) of the Internal Revenue Code is allowed for Iowa individual income tax for the 2012 and 2013 tax years.

Item 6 rescinds and reserves subrules 41.3(5) and 41.3(6), which are outdated rules regarding a federal rebate received in 2001 and a federal rate reduction credit for the 2002 tax year.

Item 7 amends subrule 41.5(2) to provide that the election to deduct state sales and use tax as an itemized deduction for individual income tax is available for the 2012 and 2013 tax years.

Item 8 updates the implementation sentence for rule 701—41.5(422).

Items 9 and 10 amend paragraph 42.11(3)“d” and the implementation sentence for rule 701—42.11(15,422) to update the date for which Iowa is coupled with federal changes to the credit for increasing research activities which is the basis for the Iowa credit for increasing research activities for Iowa individual income tax.

Item 11 amends rules 701—45.1(422) and 701—45.2(422) to provide for changes in the criteria for partnerships, limited partnerships and limited liability companies which are required to file Iowa partnership returns for tax years.

Items 12, 13, 14 and 15 amend paragraphs 52.7(3)“d,” 52.7(5)“d,” and 52.7(6)“d” and the implementation sentence for rule 701—52.7(422) to update the date for which Iowa is coupled with federal changes to the credit for increasing research activities which is the basis for the Iowa credit for increasing research activities for Iowa corporation income tax. This is similar to the changes in Items 9 and 10.

Item 16 amends rule 701—53.22(422) to state that bonus depreciation does not apply for Iowa corporation income tax for assets acquired in 2013. This is similar to the change in Item 3.

Items 17 and 18 amend rule 701—53.23(422) and the implementation sentence for rule 701—53.23(422) to provide that the increase in the expensing allowance for qualifying property authorized in Section 179(b) of the Internal Revenue Code is allowed for Iowa corporation income tax for the 2012 and 2013 tax years. This is similar to the change in Items 4 and 5.

Item 19 amends rule 701—59.23(422) to state that bonus depreciation does not apply for Iowa franchise tax for assets acquired in 2013. This is similar to the change in Items 3 and 16.

Items 20 and 21 amend rule 701—59.24(422) and the implementation sentence for rule 701—59.24(422) to provide that the increase in the expensing allowance for qualifying property authorized in Section 179(b) of the Internal Revenue Code is allowed for Iowa franchise tax for the 2012 and 2013 tax years. This is similar to the change in Items 4, 5, 17 and 18.

The proposed amendments will not necessitate additional expenditures by political subdivisions or agencies and entities which contract with political subdivisions.

Any person who believes that the application of the discretionary provisions of these amendments would result in hardship or injustice to that person may petition the Department for a waiver of the discretionary provisions, if any.

The Department has determined that these proposed amendments may have an impact on small business. The Department has considered the factors listed in Iowa Code section 17A.4A. The Department will issue a regulatory analysis as provided in Iowa Code section 17A.4A if a written request is filed by delivery or by mailing postmarked no later than September 23, 2013, to the Policy Section, Policy and Communications Division, Department of Revenue, Hoover State Office Building, P.O. Box 10457, Des Moines, Iowa 50306. The request may be made by the Administrative Rules Review Committee, the Administrative Rules Coordinator, at least 25 persons signing that request who each qualify as a small business or an organization representing at least 25 such persons.

Any interested person may make written suggestions or comments on these proposed amendments on or before September 10, 2013. Such written comments should be directed to the Policy Section, Policy and Communications Division, Department of Revenue, Hoover State Office Building, P.O. Box 10457, Des Moines, Iowa 50306. Persons who want to convey their views orally should contact the Policy Section, Policy and Communications Division, Department of Revenue, at (515)281-8450 or at the Department of Revenue offices on the fourth floor of the Hoover State Office Building.

Requests for a public hearing must be received by September 10, 2013.

After analysis and review of this rule making, no adverse impact on jobs has been found.

These amendments are intended to implement Iowa Code sections 422.7, 422.9, 422.35 and 422.61 as amended by 2013 Iowa Acts, House File 575; Iowa Code sections 15.335, 422.3, 422.9, 422.10, 422.32 and 422.33 as amended by 2013 Iowa Acts, Senate File 106; and Iowa Code section 422.15 as amended by 2013 Iowa Acts, Senate File 452.

The following amendments are proposed.

ITEM 1. Amend subrule **40.2(2)**, first unnumbered paragraph, as follows:

Interest from repurchase agreements involving federal securities is subject to Iowa income tax. *Nebraska Department of Revenue v. John Loewenstein*, 514 US —, 130 L.Ed.2d 470, 115 S.Ct. — 513 US 123 (1994). *Everett v. State Dept. of Revenue and Finance*, 470 N.W.2d 13 (Iowa 1991).

ITEM 2. Amend rule 701—40.3(422) as follows:

701—40.3(422) Interest and dividends from foreign securities, and securities of state and their political subdivisions. Interest and dividends from foreign securities and from securities of state and their political subdivisions are to be included in Iowa net income. Certain types of interest and dividends, because of specific exemption, are not includable in income for federal tax purposes. To the extent such income has been excluded for federal income tax purposes, unless the item of income is specifically exempted from state taxation by the laws or constitution of Iowa or of the United States, it must be added to Iowa taxable income.

The following is a noninclusive listing of bonds issued by the state of Iowa and its political subdivisions, interest on which is exempt from both federal and state income taxes.

1. Board of Regents: Bonds issued under Iowa Code sections 262.41, 262.51, 262.60, 262A.8, and 263A.6.
2. Urban Renewal: Bonds issued under Iowa Code section 403.9(2).

3. Municipal Housing Law - Low-income housing: Bonds issued under Iowa Code section 403A.12.
4. Subdistricts of soil conservation districts, revenue bonds: Bonds issued under Iowa Code section ~~467A.22 (transferred to Iowa Code section 161A.22 in 1993 Iowa Code).~~
5. Aviation authorities, revenue bonds: Bonds issued under Iowa Code section 330A.16.
6. Rural water districts: Bonds and notes issued under Iowa Code section 357A.15.
7. Iowa Alcoholic Beverage Control Act - Warehouse project: Bonds issued under Iowa Code section 123.159.
8. County Health Center: Bonds issued under Iowa Code section 331.441(2) “c”(7).
9. Iowa Finance Authority, ~~Sewage treatment~~ Water pollution control works and drinking water facilities financing: Bonds issued under Iowa Code section ~~220.131(6) (transferred to Iowa Code section 16.131(6) in 1993 Iowa Code)~~ 16.131(5).
10. Agricultural Development Authority, Beginning farmer loan program: Bonds issued under Iowa Code section 175.17(10).
11. Iowa Finance Authority, Iowa comprehensive petroleum underground storage tank fund: Bonds issued under Iowa Code section 455G.6(14).
12. Iowa Finance Authority, E911 Program notes and bonds: Bonds issued under Iowa Code section ~~477B.20(6). (Transferred to Iowa Code section 34A.20(6) in 1993 Iowa Code.)~~
13. Quad Cities Interstate Metropolitan Authority Bonds: Bonds issued under Iowa Code section ~~330B.24. (Transferred to Iowa Code section 28A.24 in 1993 Iowa Code.)~~
14. ~~Iowa Finance Authority, Municipal Investment Recovery Program: Bonds issued under Iowa Code section 220.173(4). (Transferred to Iowa Code section 16.173(4) in 1993 Iowa Code.)~~
15. 14. Prison Infrastructure Revenue Bonds: Bonds issued under Iowa Code section sections 12.80(3) and 16.177(8).
16. ~~Government Flood Damage Program Bonds: Bonds issued under Iowa Code section 16.183(4).~~
17. ~~Iowa sewage treatment bonds: Bonds issued under Iowa Code section 16.131(6).~~
18. 15. Community college residence halls and dormitories bonds: Bonds issued under Iowa Code section 260C.61.
19. 16. Community college bond program bonds: Bonds issued under Iowa Code section 260C.71(6).
20. ~~Regents institutions medical and hospital buildings at University of Iowa bonds: Bonds issued under Iowa Code section 263A.6.~~
21. 17. Interstate bridges bonds: Bonds issued under Iowa Code section 313A.36.
22. 18. Iowa higher education loan authority: Obligations issued by the authority on or after July 1, 2000, pursuant to either division of Iowa Code chapter 261A as authorized in Iowa Code section 261A.27.
23. 19. Vision Iowa program: Bonds issued on or after July 1, 2000, upon request of the vision Iowa board pursuant to subsection 8 of Iowa Code section 12.71(8).
20. School infrastructure program bonds: Bonds issued under Iowa Code section 12.81(8).
24. 21. Honey Creek premier destination park bonds: Bonds issued under Iowa Code Supplement section 463C.12(8).
25. 22. Iowa utilities board and Iowa consumer advocate building project bonds: Bonds issued under 2006 Iowa Acts, chapter 1179, section 70 Iowa Code section 12.91(9).
26. 23. Iowa jobs program revenue bonds: Bonds issued under 2009 Iowa Acts, Senate File 376, section 4 Iowa Code section 12.87(8).

Interest from repurchase agreements involving obligations of the type discussed in this rule is subject to Iowa income tax. *Nebraska Department of Revenue v. John Loewenstein*, 514 US ___, 130 L.Ed.2d 470, 115 S.Ct. ___, 513 US 123 (1994). *Everett v. State Dept. of Revenue and Finance*, 470 N.W.2d 13 (Iowa 1991).

For the treatment of interest or dividends from regulated investment companies (mutual funds) that invest in obligations of the type discussed in this rule, see rule 701—40.52(422).

Gains and losses from the sale or other disposition of bonds issued by the state of Iowa or its political subdivisions, as distinguished from interest income, shall be taxable for state income tax purposes.

This rule is intended to implement Iowa Code sections ~~12.71, 261A.27, 357A.15, 422.7, 463C.12~~ and Iowa Code Supplement section ~~12.87~~ section 422.7 as amended by 2013 Iowa Acts, House File 575.

ITEM 3. Amend rule 701—40.60(422) as follows:

701—40.60(422) Additional first-year depreciation allowance.

40.60(1) to 40.60(4) No change.

40.60(5) *Assets acquired after December 31, 2009, but before January 1, ~~2013~~ 2014.* For tax periods beginning after December 31, 2009, but beginning before January 1, ~~2013~~ 2014, the bonus depreciation authorized in Section 168(k) of the Internal Revenue Code, as amended by Public Law No. 111-240, Section 2022, ~~and~~ Public Law No. 111-312, Section 401, and Public Law No. 112-240, Section 331, does not apply for Iowa individual income tax. Taxpayers who claim the bonus depreciation on their federal income tax return must add the total amount of depreciation claimed on assets acquired after December 31, 2009, but before January 1, ~~2013~~ 2014, and subtract the amount of depreciation taken on such property using the modified accelerated cost recovery system (MACRS) depreciation method applicable under Section 168 of the Internal Revenue Code without regard to Section 168(k).

If any such property was sold or disposed of during the tax year, the applicable depreciation catch-up adjustment must be made to adjust the basis of the property for Iowa tax purposes. The gain or loss reported on the sale or disposition of these assets for federal tax purposes must be adjusted for Iowa tax purposes to account for the adjusted basis of assets.

The adjustment for both depreciation and the gain or loss on the sale of qualifying assets acquired after December 31, 2009, but before January 1, ~~2013~~ 2014, can be calculated on Form IA 4562A.

See 701—subrule 53.22(3) for examples illustrating how this subrule is applied.

This rule is intended to implement Iowa Code section 422.7 as amended by ~~2011~~ 2013 Iowa Acts, Senate File ~~542~~ 106.

ITEM 4. Amend rule 701—40.65(422), introductory paragraph, as follows:

701—40.65(422) Section 179 expensing. For tax periods beginning on or after January 1, 2003, but beginning before January 1, 2006, the increase in the expensing allowance for qualifying property authorized in Section 179(b) of the Internal Revenue Code, as enacted by Public Law No. 108-27, Section 202, may be taken for Iowa individual income tax. If the taxpayer elects to take the increased Section 179 expensing, the Section 179 expensing allowance on the Iowa individual income tax return is the same as the Section 179 expensing allowance on the federal income tax return for tax years beginning on or after January 1, 2003, but beginning before January 1, 2006. In addition, for tax periods beginning on or after January 1, 2008, but beginning before January 1, 2009, the increase in the expensing allowance for qualifying property authorized in Section 179(b) of the Internal Revenue Code, as enacted by Public Law No. 110-185, Section 102, may be taken for Iowa individual income tax. For tax periods beginning on or after January 1, 2009, but beginning before January 1, 2010, the increase in the expensing allowance for qualifying property authorized in Section 179(b) of the Internal Revenue Code, as enacted by Public Law No. 111-5, Section 1202, cannot be taken for Iowa individual income tax purposes. The maximum amount of Section 179 expensing allowed for tax periods beginning on or after January 1, 2009, but beginning before January 1, 2010, is \$133,000 for Iowa individual income tax purposes. For tax years beginning on or after January 1, 2010, the increase in the expensing allowance for qualifying property authorized in Section 179(b) of the Internal Revenue Code, as enacted by Public Law No. 111-240, Section 2021, ~~and~~ Public Law No. 111-312, Section 402, and Public Law No. 112-240, Section 315, may be taken for Iowa individual income tax.

ITEM 5. Amend rule **701—40.65(422)**, implementation sentence, as follows:

This rule is intended to implement Iowa Code section 422.7 as amended by ~~2011~~ 2013 Iowa Acts, Senate File ~~542~~ 106.

ITEM 6. Rescind and reserve subrules **41.3(5)** and **41.3(6)**.

ITEM 7. Amend subrule 41.5(2), introductory paragraph, as follows:

41.5(2) For the tax years beginning on or after January 1, 2004, and before January 1, 2008, and for tax years beginning on or after January 1, 2010, but before January 1, ~~2012~~ 2014, the itemized deduction for state sales and use taxes is allowed on the Iowa return only if the taxpayer elected to deduct state sales and use taxes as an itemized deduction in lieu of the deduction for state income taxes on the federal return under Section 164 of the Internal Revenue Code.

ITEM 8. Amend rule **701—41.5(422)**, implementation sentence, as follows:

This rule is intended to implement Iowa Code sections 422.7 and 422.9 as amended by ~~2011~~ 2013 Iowa Acts, Senate File ~~512~~ 106.

ITEM 9. Amend paragraph **42.11(3)“d”** as follows:

d. For purposes of this subrule, the terms “base amount,” “basic research payment,” and “qualified research expense” mean the same as defined for the federal credit for increasing research activities under Section 41 of the Internal Revenue Code, except that, for purposes of the alternative incremental credit described in paragraph 42.11(3)“*b*” and the alternative simplified credit described in paragraph 42.11(3)“*c*,” such amounts are limited to research activities conducted within this state. For purposes of this subrule, “Internal Revenue Code” means the Internal Revenue Code in effect on January 1, ~~2012~~ 2013, and as amended by the American Taxpayer Relief Act of 2012, Public Law No. 112-240.

ITEM 10. Amend rule **701—42.11(15,422)**, implementation sentence, as follows:

This rule is intended to implement ~~2011~~ Iowa Code ~~Supplement~~ sections 15.335 and 422.10 as amended by ~~2012~~ 2013 Iowa Acts, ~~House~~ Senate File ~~2150~~ 106.

ITEM 11. Amend rules 701—45.1(422) and 701—45.2(422) as follows:

701—45.1(422) General rule. An Iowa partnership, limited partnership, or limited liability company required to file a return under the provisions of Iowa Code subsection 422.15(2) shall be a partnership, limited partnership, or limited liability company required to file a partnership return for purposes of federal income tax. A partnership or limited liability company engaged in carrying on business in this state is an Iowa partnership or an Iowa limited liability company. For tax years beginning on or after January 1, 2013, a partnership, limited partnership or limited liability company doing business in Iowa or deriving income from real, tangible or intangible property located or having a situs in Iowa must file an Iowa partnership return. For specific criteria related to doing business in Iowa or deriving income from real, tangible or intangible property located or having a situs in Iowa, see rule 701—52.1(422). Iowa follows the Treasury check-the-box regulation, 301.7701-3, for determination of the tax status of partnerships or limited liability companies including single-member limited liability companies.

This rule is intended to implement Iowa Code section 422.15 as amended by 2013 Iowa Acts, Senate File 452.

701—45.2(422) Partnership returns. Every partnership deriving income (1) from property owned within this state or (2) from a business, trade, profession or occupation carried on within the state must make a return of income regardless of the amount of income or loss and regardless of the residence of the partners. For tax years beginning on or after January 1, 2013, every partnership doing business in Iowa or deriving income from real, tangible or intangible property located or having a situs in Iowa must make a return of income regardless of the amount of income or loss and regardless of the residence of the partners. The return shall be made on the proper form and signed by one of the partners. The return shall be made on the same period basis, calendar or fiscal, as the partnership accounts are kept, irrespective of the fact the partners are reporting their incomes on a different period basis. The return shall be filed with the department on or before the last day of the fourth month after the expiration of the tax year.

This rule is intended to implement Iowa Code section 422.15 as amended by 2013 Iowa Acts, Senate File 452, and section 422.21.

ITEM 12. Amend paragraph **52.7(3)“d”** as follows:

d. For purposes of this subrule, the terms “base amount,” “basic research payment,” and “qualified research expense” mean the same as defined for the federal credit for increasing research activities under Section 41 of the Internal Revenue Code, except that, for purposes of the alternative incremental credit described in paragraph 52.7(3)“*b*” and the alternative simplified credit described in paragraph 52.7(3)“*c*,” such amounts are limited to research activities conducted within this state. For purposes of this subrule, “Internal Revenue Code” means the Internal Revenue Code in effect on January 1, ~~2012~~ 2013, and as amended by the American Taxpayer Relief Act of 2012, Public Law No. 112-240.

ITEM 13. Amend paragraph **52.7(5)“d”** as follows:

d. For purposes of this subrule, the terms “base amount,” “basic research payment,” and “qualified research expense” mean the same as defined for the federal credit for increasing research activities under Section 41 of the Internal Revenue Code, except that, for purposes of the alternative incremental credit described in paragraph 52.7(3)“*b*” and the alternative simplified credit described in paragraph 52.7(3)“*c*” of this rule, such amounts are limited to research activities conducted within the enterprise zone. For purposes of this rule, “Internal Revenue Code” means the Internal Revenue Code in effect on January 1, ~~2011~~ 2013, and as amended by the American Taxpayer Relief Act of 2012, Public Law No. 112-240.

ITEM 14. Amend paragraph **52.7(6)“d”** as follows:

d. For purposes of this subrule, the terms “base amount,” “basic research payment,” and “qualified research expense” mean the same as defined for the federal credit for increasing research activities under Section 41 of the Internal Revenue Code, except that, for purposes of the alternative simplified credit described in paragraph 52.7(3)“*c*” of this rule, such amounts are limited to research activities conducted within the enterprise zone. For purposes of this rule, “Internal Revenue Code” means the Internal Revenue Code in effect on January 1, ~~2011~~ 2013, and as amended by the American Taxpayer Relief Act of 2012, Public Law No. 112-240.

ITEM 15. Amend rule **701—52.7(422)**, implementation sentence, as follows:

This rule is intended to implement ~~2011 Iowa Code Supplement section~~ sections 15.335 and 422.33 as amended by ~~2012~~ 2013 Iowa Acts, ~~House~~ Senate File ~~2450~~ 106.

ITEM 16. Amend rule 701—53.22(422) as follows:

701—53.22(422) Additional first-year depreciation allowance.

53.22(1) to 53.22(4) No change.

53.22(5) *Assets acquired after December 31, 2009, but before January 1, ~~2013~~ 2014.* For tax periods beginning after December 31, 2009, but beginning before January 1, ~~2013~~ 2014, the bonus depreciation authorized in Section 168(k) of the Internal Revenue Code, as amended by Public Law No. 111-240, Section 2022, and Public Law No. 111-312, Section 401, and Public Law No. 112-240, Section 331, does not apply for Iowa corporation income tax. Taxpayers who claim the bonus depreciation on their federal income tax return must add the total amount of depreciation claimed on assets acquired after December 31, 2009, but before January 1, ~~2013~~ 2014, and subtract the amount of depreciation taken on such property using the modified accelerated cost recovery system (MACRS) depreciation method applicable under Section 168 of the Internal Revenue Code without regard to Section 168(k).

If any such property was sold or disposed of during the tax year, the applicable depreciation catch-up adjustment must be made to adjust the basis of the property for Iowa tax purposes. The gain or loss reported on the sale or disposition of these assets for federal tax purposes must be adjusted for Iowa tax purposes to account for the adjusted basis of assets.

The adjustment for both depreciation and the gain or loss on the sale of qualifying assets acquired after December 31, 2009, but before January 1, ~~2013~~ 2014, can be calculated on Form IA 4562A.

See subrule 53.22(3) for examples illustrating how this subrule is applied.

This rule is intended to implement Iowa Code section 422.35 as amended by ~~2011~~ 2013 Iowa Acts, Senate File ~~542~~ 106.

ITEM 17. Amend rule 701—53.23(422), introductory paragraph, as follows:

701—53.23(422) Section 179 expensing. For tax periods beginning on or after January 1, 2003, but beginning before January 1, 2006, the increase in the expensing allowance for qualifying property authorized in Section 179(b) of the Internal Revenue Code, as enacted by Public Law No. 108-27, Section 202, may be taken for Iowa corporation income tax. If the taxpayer elects to take the increased Section 179 expensing, the Section 179 expensing allowance on the Iowa corporation income tax return is the same as the Section 179 expensing allowance on the federal income tax return for tax years beginning on or after January 1, 2003, but beginning before January 1, 2006. In addition, for tax periods beginning on or after January 1, 2008, but beginning before January 1, 2009, the increase in the expensing allowance for qualifying property authorized in Section 179(b) of the Internal Revenue Code, as enacted by Public Law No. 110-185, Section 102, may be taken for Iowa corporation income tax. For tax periods beginning on or after January 1, 2009, but beginning before January 1, 2010, the increase in the expensing allowance for qualifying property authorized in Section 179(b) of the Internal Revenue Code, as enacted by Public Law No. 111-5, Section 1202, cannot be taken for Iowa corporation income tax purposes. The maximum amount of Section 179 expensing allowed for tax periods beginning on or after January 1, 2009, but beginning before January 1, 2010, is \$133,000 for Iowa corporation income tax purposes. For tax years beginning on or after January 1, 2010, the increase in the expensing allowance for qualifying property authorized in Section 179(b) of the Internal Revenue Code, as enacted by Public Law No. 111-240, Section 2021, ~~and~~ Public Law No. 111-312, Section 402, ~~and~~ Public Law No. 112-240, Section 315, may be taken for Iowa corporation income tax.

ITEM 18. Amend rule **701—53.23(422)**, implementation sentence, as follows:

This rule is intended to implement Iowa Code section 422.35 as amended by ~~2011~~ 2013 Iowa Acts, Senate File ~~542~~ 106.

ITEM 19. Amend rule 701—59.23(422) as follows:

701—59.23(422) Additional first-year depreciation allowance.

59.23(1) to 59.23(4) No change.

59.23(5) *Assets acquired after December 31, 2009, but before January 1, ~~2013~~ 2014.* For tax periods beginning after December 31, 2009, but beginning before January 1, ~~2013~~ 2014, the bonus depreciation authorized in Section 168(k) of the Internal Revenue Code, as amended by Public Law No. 111-240, Section 2022, ~~and~~ Public Law No. 111-312, Section 401, ~~and~~ Public Law No. 112-240, Section 331, does not apply for Iowa franchise tax. Taxpayers who claim the bonus depreciation on their federal income tax return must add the total amount of depreciation claimed on assets acquired after December 31, 2009, but before January 1, ~~2013~~ 2014, and subtract the amount of depreciation taken on such property using the modified accelerated cost recovery system (MACRS) depreciation method applicable under Section 168 of the Internal Revenue Code without regard to Section 168(k).

If any such property was sold or disposed of during the tax year, the applicable depreciation catch-up adjustment must be made to adjust the basis of the property for Iowa tax purposes. The gain or loss reported on the sale or disposition of these assets for federal tax purposes must be adjusted for Iowa tax purposes to account for the adjusted basis of assets.

The adjustment for both depreciation and the gain or loss on the sale of qualifying assets acquired after December 31, 2009, but before January 1, ~~2013~~ 2014, can be calculated on Form IA 4562A.

See 701—subrule 53.22(3) for examples illustrating how this subrule is applied.

This rule is intended to implement Iowa Code section 422.35 as amended by ~~2011~~ 2013 Iowa Acts, Senate File ~~542~~ 106, and section 422.61.

ITEM 20. Amend rule 701—59.24(422), introductory paragraph, as follows:

701—59.24(422) Section 179 expensing. For tax periods beginning on or after January 1, 2003, but beginning before January 1, 2006, the increase in the expensing allowance for qualifying property authorized in Section 179(b) of the Internal Revenue Code, as enacted by Public Law No. 108-27,

Section 202, may be taken for Iowa franchise tax. If the taxpayer elects to take the increased Section 179 expensing, the Section 179 expensing allowance on the Iowa franchise tax return is the same as the Section 179 expensing allowance on the federal income tax return for tax years beginning on or after January 1, 2003, but beginning before January 1, 2006. In addition, for tax periods beginning on or after January 1, 2008, but beginning before January 1, 2009, the increase in the expensing allowance for qualifying property authorized in Section 179(b) of the Internal Revenue Code, as enacted by Public Law No. 110-185, Section 102, may be taken for Iowa franchise tax. For tax periods beginning on or after January 1, 2009, but beginning before January 1, 2010, the increase in the expensing allowance for qualifying property authorized in Section 179(b) of the Internal Revenue Code, as enacted by Public Law No. 111-5, Section 1202, cannot be taken for Iowa franchise tax purposes. The maximum amount of Section 179 expensing allowed for tax periods beginning on or after January 1, 2009, but beginning before January 1, 2010, is \$133,000 for Iowa franchise tax purposes. For tax years beginning on or after January 1, 2010, the increase in the expensing allowance for qualifying property authorized in Section 179(b) of the Internal Revenue Code, as enacted by Public Law No. 111-240, Section 2021, ~~and~~ Public Law No. 111-312, Section 402, and Public Law No. 112-240, Section 315, may be taken for Iowa franchise tax.

ITEM 21. Amend rule ~~701—59.24(422)~~, implementation sentence, as follows:

This rule is intended to implement Iowa Code section 422.35 as amended by ~~2011~~ 2013 Iowa Acts, Senate File ~~542~~ 106, and section 422.61.